



STATE OF CALIFORNIA

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

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Annual Report to the California Legislature

on the Extra Credit Teacher Home Purchase Program

January 1, 2003 – December 31, 2003

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I. INTRODUCTION

Quality education continues to be a high priority for Californians. A key component to meeting that goal is well-trained school staff. In 2000, the California Debt Limit Allocation Committee (“the Committee”), chaired by Treasurer Phil Angelides, recognized this and established the Extra Credit Teacher Home Purchase Program (“the Extra Credit Program”). Through the Extra Credit Program the Committee sets aside a portion of its limited tax-exempt bond allocation to assist school staff serving in high priority schools purchase homes, with the goal of retaining qualified staff in these most needy schools.

The Committee produces a report to the legislature on the results of the Extra Credit Program annually. This year’s report will first give the reader a brief introduction to the Committee itself. Then it will outline the history, function, past year program statute changes, and guidelines of the Extra Credit Program. Finally, it will review the results of the Extra Credit Program this year. Also, new to the report this year, an appendix summarizing past program years has been added.

II. THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

In 1986 the Federal government instituted a cap on the amount of tax-exempt private activity bonds. Federal law limited the volume of private activity bonds (volume cap) that each state may issue in a calendar year to an amount that is based on the state’s population or an amount that is specified in federal tax law. A state’s volume cap is adjusted annually and is sometimes called the annual state ceiling. The California Debt Limit Allocation Committee was created to serve as the responsible body to annually set California’s volume cap and award the limited tax-exempt private activity bond authority in a manner that achieves the highest public benefit.

The Committee is a three-member body comprised of the State Treasurer as Chair, the Governor and the State Controller. The Committee also has three non-voting advisory members comprised of the Director of the California Housing Finance Agency, the Director of the California Department of Housing & Community Development, and a representative of local government.

The Committee allocates the annual state ceiling among six major categories of tax-exempt bond programs (state ceiling pools):

- Qualified Residential Rental Project Program
- Single-Family Housing Program
- Extra Credit Teacher Home Purchase Program
- Exempt Facility Project Program
- Small-Issue Industrial Development Bond Project Program
- Student Loan Program

More information on the function and history of the California Debt Limit Allocation Committee can be found on our website at www.treasurer.ca.gov/cdlac.

Over the years, certain public needs have emerged as priority funding areas for the Committee. Most of the state ceiling is reserved to the pools that promote access to homeownership for lower income families and individuals, and that develop new or rehabilitate existing governmental assisted rental housing. An emerging priority since 2000 is the development of the Extra Credit Teacher Home Purchase Program pool to assist teachers and other credentialed school staff willing to serve in high priority schools purchase a home.

III. THE EXTRA CREDIT PROGRAM

Background

Attracting qualified teachers, administrators and other staff to high priority schools, which are often located in urban and poor school districts, is an acute problem in California. At Treasurer Angelides' urging, in January 2000 the Committee established the Extra Credit Teacher Home Purchase Program to assist California public school districts and county offices of education with recruiting and retaining staff in these high priority schools by providing homeownership opportunities.

The first reservation to the new Extra Credit Program pool was made in early 2000. The first program allocations to issuers were made at the end of that year. In 2002 the California Housing Finance Agency (CalHFA) became the lead administrator for the program. As a result of CalHFA's entry into the Extra Credit Program, below market interest rate loans and homeownership assistance became available to eligible teachers and school staff on a statewide basis.

Summaries of prior legislative reports (2000-2001) are attached as appendices to this report. Copies of complete prior year legislative reports are available on our website at www.treasurer.ca.gov/cdlac/extracredit/ or by contacting Committee staff at (916) 653-3255.

Function

With an allocation of tax-exempt bonds, State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) or mortgage credit certificates (MCCs) to assist teachers, principals and other credentialed school staff purchase homes. The proceeds of MRBs back below market interest rate mortgages. Homebuyers use MCCs to reduce their federal tax liability by applying the credit to their net tax due. Examples of how each type of homeownership assistance translates into real numbers can be found below.

Mortgage Credit Certificate

For a family with a \$175,000, 30-year mortgage, at 5.5% fixed interest rate, the credit would be approximately \$1,218 annually and approximately \$36,541 over the life of the mortgage. The credit would be highest in the early years of the loan, when there is more interest paid by the homeowner.

Mortgage Revenue Bond

For a family with a \$175,000, 30-year mortgage, at 5.5% fixed interest rate, the interest rate would be approximately 1% below market interest rates, which would result in savings of approximately \$38,495 over the life of the loan.

In addition, through each jurisdiction administering the program participants also receive at least \$7,500 in direct homeownership assistance. Homeownership assistance may be higher (currently up to \$15,000) in high cost areas. Assistance may be used for expenses such as down payment and closing costs.

2003 Program Statute Changes

In 2003 the legislature enacted changes to the statutes of the Committee and CalHFA that impact the Extra Credit Program. First, the term "Low Performing School" has been changed to "High Priority School." Second, starting in 2004 classified employees will be included as eligible program participants. In response to the inclusion of classified employees, the program will give priority to providing assistance for eligible teachers and administrators over other eligible program participants. Finally, legislation established higher homeownership assistance to program participants in high cost areas.

Program Guidelines and Parameters

- Family incomes must be 115% or less of the county or statewide median income (whichever is higher) for a family of three or more and 100% or less for a family of one to two persons. Purchase price limits are set at 90% of the average area purchase price for existing and new homes (limits are set at 110% for homes located within IRS target areas). Participants must be first time homebuyers, or not have owned a home for three years prior to the purchase.
- Program participants must be fully credentialed or meet the definition of classified employee and employed full-time in a high priority school in the subject and grade level as authorized by his or her credential.
- All program participants must agree to serve for a minimum of three years in a high priority school.
- For the purposes of this program, a high priority school means a California K-12 public school that is 1) ranked in the bottom 50% of all schools based upon the most recent Academic Performance Index, i.e. schools receiving an API Statewide ranking of 1, 2, 3, 4 or 5; or 2) that does not have an API ranking but 70% or more of the school's pupil enrollment is eligible for free or reduced price meals. Priority is to be given to eligible teachers and eligible administrators working in high priority schools with API rankings 1, 2 and 3.

Program Reporting Requirements

Section 8869.84(g)(4) of the California Government Code requires the California Debt Limit Allocation Committee to annually report to the Legislature the results of the Extra Credit Program, including the following information, all of which is presented in table form in the following pages:

- (1) The amount of state ceiling limits allocated to, or reserved for, the program (Table 1);
- (2) The agencies to which state ceiling limits were issued (Table 2);
- (3) The number of loans or mortgage credit certificates issued to teachers, principals, vice principals, and assistant principals (Table 3);
- (4) The schools at which recipients of assistance are employed, aggregated by decile in which the schools rank on the Academic Performance Index (API) and by the percentage of uncredentialed teachers employed at the schools (Tables 4 and 5).

IV. THE EXTRA CREDIT PROGRAM – 2003 ANNUAL REPORT

State Ceiling Allocated From Program Commencement

Since establishing the Program in January 2000, CDLAC has held four allocation rounds for the purpose of awarding allocation for local and statewide programs. The allocations are illustrated in the following table.

TABLE 1

Extra Credit Program Allocations By Year

Program Year	Amount
2000	\$63,280,554
2001	\$99,932,283
2002	\$98,000,000
2003	\$100,000,000
TOTAL ALLOCATED	\$361,212,837

Agencies That Received 2003 Extra Credit Program Allocation

In 2003, the Committee reserved \$100 million for the Extra Credit Program, which represents 3.8 percent of the 2003 State Ceiling on Tax-Exempt Private Activity Bonds. The Committee received a total of four applications. The applications received requested \$105 million in allocation. The Committee awarded allocation for the Extra Credit Program to three local issuers, who administer Mortgage Credit Certificate (MCC) programs, and one allocation to CalHFA, a statewide issuer, which administers a Mortgage Revenue Bond (MRB) program. The 2003 allocation is estimated to assist 604 teachers and other eligible program participants in purchasing a home while providing quality teaching and administrative services to students at high priority schools.

TABLE 2

2003 Committee Allocations				
Jurisdiction	Program Type	Allocation	% of Total Extra Credit Allocation	Estimated # of Eligible School Staff
CalHFA (Statewide)	MRB	\$87,500,000	87.5%	500
County of Santa Clara	MCC	\$4,000,000	4%	19
County of Sacramento	MCC	\$3,500,000	3.5%	35
City & County of San Francisco	MCC	\$5,000,000	5%	50
TOTALS:		\$100,000,000	100%	604

Loans and MCCs Originated In 2003

The number of Mortgage Credit Certificates and Mortgage Revenue Bond loans issued by jurisdiction is illustrated in Table 3 below. This table represents the results of the Program for 2003, which includes the continued use of allocations available from 2000, 2001 and 2002. An award of bond authority is typically not fully used in the year the allocation was received. Assuming bond proceeds have not been fully expended in the first year, federal law limits the length of time that proceeds from an allocation may remain available for the program. An award of MCC authority lasts approximately two years and an award of MRB authority lasts 42 months.

From January 1, 2003 through December 31, 2003, the Extra Credit Program helped a total of 261 program participants. Local jurisdictions and CalHFA issued 242 below market interest rate loans and 19 mortgage credit certificates.

TABLE 3

2003 Mortgage Revenue Bond Loans and Mortgage Credit Certificates Issued by Jurisdiction			
ISSUER	MRB	MCC	TOTAL
California Housing Finance Agency	242		
County of Santa Cruz		1	
County of Sacramento		1	
County of Santa Clara		17	
TOTALS:	242	19	261

Schools at which Program Participants are Employed

The schools where program participants are employed are listed in Table 4 below. This table also lists the API rankings and the percentage of all teachers who have emergency teaching credentials at those schools. For the purpose of this report, uncredentialed teachers are documented as teachers holding emergency credentials or permits. Teachers are employed in 235 different schools, 66 (28%) of which have an Academic Performance Index (API) ranking of 1; 62 (26%) of which have an API ranking of 2; 57 (24%) of which have an API ranking of 3; 27 (11%) of which have an API ranking of 4; and 23 (10%) of which have an API ranking of 5. The percentage of emergency credentialed teachers in these schools ranges as high as 64% and as low as 0%. The average percentage of emergency credentialed teachers in participating schools is 16.73%.

TABLE 4

Schools at which Program Participants are Employed For all MRB Loans and MCCs Originated in 2003		
SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Arroyo Elementary	1	26
Audubon Middle	1	25
Badger Springs Middle	1	28
Balboa High	1	2
Basset Senior High	1	36
Bell Gardens High	1	17
Bethune Middle	1	44
Budlong Avenue Elementary	1	34
Carver (George) Elementary	1	30
Century High	1	10
Coachella Valley High	1	11
Corsini (Julius) Elementary	1	13
Davis Elementary	1	15
Eastman Avenue Elementary	1	22
Edison-McNair Academy	1	64
Elizabeth Learn Center	1	17
Ford Elementary	1	14
Fremont Senior High	1	32
Grant Elementary	1	15
Grant Elementary	1	29
Grant Union High	1	13
Hawaiian Elementary	1	3
Hillcrest Drive Elementary	1	25
Holmes Avenue Elementary	1	19
Hooper Avenue Elementary	1	25
Hoover Elementary	1	16
Hyde Park Blvd. Elementary	1	16
Indio High	1	7
James Lick	1	31

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Jefferson Elementary	1	12
John Kelley	1	16
Jordan High	1	18
Kennedy (John F.) Elementary	1	15
Key Elementary	1	6
Lafayette Elementary	1	0
Lincoln Elementary	1	12
Lincoln Elementary	1	20
Los Angeles Senior High	1	13
Lynwood High	1	26
Maclay (Charles) Middle	1	33
Manchester Avenue Elementary	1	33
Memorial Junior High	1	37
Miramonte Elementary	1	25
Monte Vista Elementary	1	9
Mt. Vernon Middle	1	28
Nimitz Middle	1	34
Normandie Avenue Elementary	1	21
Oasis Elementary	1	15
One Hundred Sixteenth Street	1	29
Peres Elementary	1	15
Pueblo Elementary	1	45
Raymond Avenue Elementary	1	17
Reef Sunset Middle	1	9
Richmond High	1	3
San Ysidro Middle	1	19
South High	1	28
Spurgeon Intermediate	1	15
Turnbull Learning Academy	1	6
Twenty-Eighth Street Elementary	1	20
Valley High	1	8
Van Buren (Martin) Elementary	1	9
Warm Springs Elementary	1	18
Weigand Avenue Elementary	1	36
Whittier Elementary	1	3
Willard Intermediate	1	20
Wilmington Middle	1	27
Adams Elementary	2	23
Antelope Valley High	2	27
Bradley Elementary	2	27
Cahuilla Desert Academy	2	20
Calif Elementary	2	17
Capt. Jason Dahl (prev. Hillsdale)	2	17
Castle Park Senior High	2	11
Central Elementary	2	27
Christopher Elementary	2	3
Desert Hot Springs High	2	19
El Monte Jr. High	2	12

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
El Rancho High	2	8
Elwin Elementary	2	29
First Street Elementary	2	15
Fishburn Avenue Elementary	2	20
Ford Boulevard Elementary	2	38
Glassell Park Elementary	2	16
Grant Middle	2	11
Gulf Avenue Elementary	2	14
Hammel Street Elementary	2	21
Hollydale Elementary	2	24
Jackson (Andrew) Elementary	2	6
Jurupa Hills	2	17
Kawana School	2	0
King Middle	2	28
Langdon Avenue Elementary	2	13
Lawndale High	2	31
Liberty Boulevard Elementary	2	18
Lincoln Elementary	2	7
Lindley (Della S.) Elementary	2	10
Loma Vista	2	24
Luthur Burbank Elementary	2	17
Mann (Horace) Elementary	2	40
Martin Elementary	2	19
Meadow View Elementary	2	0
Middleton Street Elementary	2	28
Nelson Elementary	2	14
Nightingale (Florence) Middle	2	30
Ninety-Sixth Street Elementary	2	38
O'Connell (John A.) High	2	0
One Hundred Ninth Street Elem.	2	12
Payne (Willard F.) Elementary	2	12
Peter Burnett Academy	2	20
Piute Middle	2	16
Roosevelt Elementary	2	6
Roosevelt Elementary	2	32
Roosevelt Middle	2	0
James Lick Middle	2	9
Sheridan Street Elementary	2	23
Sierra Vista High	2	27
South El Monte High	2	21
South Gate Middle	2	12
South Park Elementary	2	26
Southwest Junior High	2	7
Sunnyslope Elementary	2	14
Sycamore Junior High	2	9
Twenty-Fourth Street Elementary	2	26
Vinedale Elementary	2	14
Walnut Park Elementary	2	20

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Walter (Esther L.) Elementary	2	7
Watsonville High School	2	0
Yerba Buena High	2	16
Almeria Middle	3	6
Brookhurst Junior High	3	9
Burnett Elementary	3	17
Cali Calmecac (Charter)	3	11
Carson Senior High	3	20
Casey Elementary	3	14
Castle Park Middle	3	2
Chowchilla High	3	19
Cole (Gifford C.) Middle	3	8
Creekside Elementary	3	2
Dalton (Henry) Elementary	3	18
Dayton Heights Elementary	3	14
Eastmont Intermediate	3	31
El Roble Elementary	3	6
Eucalyptus Elementary	3	9
Farmdale Elementary	3	33
Finley Elementary	3	6
Fontana High	3	4
Gardena Elementary	3	25
Garfield Elementary	3	23
Geddes (Ernest) Elementary	3	28
Grant (Ulysses S.) Senior High	3	17
H.S. Truman Middle School	3	6
Hanshaw (Evelyn) Middle	3	0
Harte (Bret) Elementary	3	16
Hawthorne Middle	3	36
Hazard (R.F.) Elementary	3	8
Hill (Andrew P.) High	3	21
Hillview Junior High	3	19
Hoover Middle School	3	12
James Madison Middle School	3	26
Joshua Elementary	3	13
Jurupa Middle	3	4
Lassalette Elementary	3	21
Libby Elementary	3	2
Liggett Street Elementary	3	19
Littlerock High	3	24
Lugo Elementary	3	59
Mare Island Elementary	3	18
Marianna Avenue Elementary	3	21
Mariposa Elementary	3	6
Marvin Elementary	3	25
Monroe Elementary	3	17
Montague St. Elementary Charter	3	25
Muir (John) Elementary	3	5

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Parkridge School/Arts	3	5
Peter Burnett Academy	3	21
Pinewood Avenue Elementary	3	24
Primrose (Virginia) Elementary	3	7
Rogers (Paul) Elementary	3	18
Russell (Edward) Elementary	3	18
Smith (Jedediah) Elementary	3	0
Tynes (John O.) Elementary	3	5
Valinda School of Academics	3	31
Victoria Avenue Elementary	3	13
Walnut Elementary	3	15
Wilmington Park Elementary	3	17
Almaden Elementary	4	0
Bahia Vista Elementary	4	0
Branciforte Elementary	4	0
Campo Elementary	4	15
Channel Islands High	4	13
Cordova Villa Elementary	4	0
Dolland (John) Elementary	4	0
El Camino Middle	4	11
Guinn Elementary	4	8
Gunderson High	4	33
Harte Elementary	4	19
Hazelton Elementary	4	0
Kroc Middle	4	24
Loara High	4	18
Nelson (Ada S.) Elementary	4	12
New Vista Middle	4	19
Olive View Elementary	4	0
Orangeview Junior High	4	4
Pala Middle	4	24
Prairie Elementary	4	5
Pyle (Ernie) Elementary	4	5
Rancho Santa Gertrudes	4	23
San Antonio Elementary	4	19
San Leandro High	4	20
Valencia High	4	4
Vineland Elementary	4	39
Westminster Avenue Elementary	4	8
Buchanan Street Elementary	5	12
Cerra Vista Elementary	5	16
Creekside Elementary	5	18
Davis (Maude B.) Elementary	5	9
Eagle Peak Middle	5	9
Escondido High	5	10
George Miner Elementary	5	9
Hillview Crest Elementary	5	2
Independence High	5	16

SCHOOL	API SCORE	% EMERGENCY CREDENTIALLED TEACHERS
Irvine (James) Intermediate	5	17
Las Palmas Intermediate	5	32
Low (Juliette) Elementary	5	6
Maze Middle	5	13
Meadows (Jeanne R.) Elem.	5	3
Monte Vista Elementary	5	25
Mount Pleasant Elementary	5	18
Riley Elementary	5	15
Trace (Merritt) Elementary	5	13
Tustin High	5	16
Westminster High	5	5
Willow Glen High School	5	13
Ygnacio Valley High	5	21
Yucca Loma Elementary	5	5

Sacramento Unified School District
(Program participant works at
more than one school site.)

TABLE 5

**Program Participant Schools (from the list above)
Aggregated by API Decile**

Ranking	Number of Schools (Percent of Total)
API 1	66 (28%)
API 2	62 (26%)
API 3	57 (24%)
API 4	27 (11%)
API 5	23 (10%)
TOTAL	235 (100%)

IV. CONCLUSION

The Extra Credit Home Purchase Program has begun to make a difference in the lives of California's public school staff and the quality of public education in the State's highest priority schools. As of December 31, 2003, the Committee has earmarked over \$360 million of California's scarce tax-exempt, private activity bond allocation for the Extra Credit Program to help over 1,400 qualified teachers and other credentialed school staff who commit to serve in schools ranked in the lowest five deciles based on the Academic Performance Index, where the need for qualified, prepared professionals is greatest.

The program is well underway. Four local and statewide entities have issued a total of 261 MCCs and MRBs to eligible school staff at high priority schools throughout the State in 2003. Since the program's first allocation in September 2000, a total of 682 MCCs and MRBs have been issued to eligible school staff at high priority schools throughout the State.

Program administrators are well into 2004 Extra Credit Program activity. The Committee looks forward to reporting additional program progress in its next report to the Legislature.

APPENDIX

Summary of Past Program Years 2000- 2002

In 2000, the Committee reserved \$50 million for the Extra Credit Program, which represents four percent of the 2000 State Ceiling on Tax-Exempt Private Activity Bonds. The Committee received a total of nine applications. The applications received requested \$110 million in allocation. The Committee awarded its first allocations for the Extra Credit Program to seven local issuers of which three administer Mortgage Credit Certificate (MCC) Programs and four administer Mortgage Revenue Bond (MRB) Programs. An additional \$14 million was transferred to the program pool to meet the program's demand.

In 2001, the Committee reserved \$100 million (5% of the 2001 State Ceiling) in tax-exempt bond allocation for the Extra Credit Program Pool, representing a \$50 million increase over 2000. The Committee allocated a total of \$100 million in tax-exempt bond authority of the Extra Credit Program to six issuers, three of which were new to the Program. Of the applicants who received allocation, five were local issuers and one was a statewide issuer.

From September 2000 through December 2001, the Program helped a total of 146 program participants. Local jurisdictions and CalHFA issued 107 below market interest rate loans and 39 mortgage credit certificates.

Program participants from 2000 and 2001 are employed in 90 different schools, 39 (43%) of which had an Academic Performance Index (API) ranking of 1; 25 (28%) of which had an API ranking of 2; and 26 (29%) of which had an API ranking of 3. The percentage of emergency credentialed teachers in these schools ranges as high as 55%. The average percentage of emergency credentialed teachers in participating schools is 17.35%.

In 2002, the Committee reserved \$125 million for the Extra Credit Program, which represents five percent of the 2002 state ceiling on tax-exempt private activity bonds. The Committee received a total of three applications, one of which was withdrawn at the applicant's request. The applications requested \$108 million in allocation. On September 23, 2002, the Committee awarded its third round of allocations for the Extra Credit Program to one statewide issuer, which administers a mortgage revenue bond program and one local issuer, which administers a mortgage credit certificate program.

From January through December 2002, the Program helped a total of 275 program participants. Local jurisdictions and CalHFA issued 251 below market interest rate loans and 24 mortgage credit certificates.

Program participants from 2002 are employed in 275 different schools, 99 (36%) of which had a 2002 Academic Performance Index (API) ranking of 1; 85 (31%) of which had an API ranking of 2; 83 (30%) of which had an API ranking of 3; 6 (2%) of which had an API ranking of 4; and 2 (1%) of which had an API ranking of 5. The percentage of emergency credentialed teachers in these schools ranges as high as 53%. The average percentage of emergency credentialed teachers in participating schools is 17.46%.